GENDIS INC.

ANNUAL REPORT

FOR THE YEAR ENDED JANUARY 31, 2007

COMPANY PROFILE

The evolution of Gendis Inc. dates back to 1939 with the founding of General Distributors, an importing distribution firm. The company was incorporated as General Distributors of Canada Ltd. in November 1962, and was subsequently re-named Gendis Inc. in 1983.

Through most of its recent history the Company had been principally involved in the retail merchandising industry. On December 16, 2004, the Company sold its investment in Saan Stores Ltd. and consequently exited the retail general merchandising industry.

Gendis is currently active in investment management, and in real estate leasing and management through its division, Gendis Realty.

TABLE OF CONTENTS

Company Profile	Inside Front
Chairman's Letter to Shareholders	1
Management's Discussion & Analysis	2
Responsibility for Financial Reporting	13
Auditors' Report to Shareholders	13
Consolidated Financial Statements	14
Corporate & Shareholder Information	Inside Back

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held Friday, June 1, 2007 at 11:00 a.m. CDT at the offices of Gendis Inc., 1370 Sony Place, Winnipeg, Manitoba

CHAIRMAN'S LETTER TO OUR SHAREHOLDERS

The fiscal year ended January 31st, 2007 was one of progress.

I am pleased to note that two of the three buildings which make up the Gendis 1370 Sony Place complex have been leased on a long-term basis to well-known tenants. The first building has been leased to IMRIS Inc. effective July 1st, 2006. The second building has been leased to Manitoba Hydro effective December 1st, 2006. The third building, the largest of the three, is currently being considered by a number of interested tenants. Our other eight real estate properties are situated in various locations in Ontario, Manitoba and Saskatchewan. The properties are managed by Mr. Ken Langlois. Once the third building is leased, the real estate properties will carry all Gendis expenses and leave the company with surplus cash.

The Gendis investment portfolio is managed on a stand-alone basis without regard to our real estate portfolio. We call this operation Gendis Financial. The investment portfolio will drive the growth of Gendis over the coming years and is in a healthy position. Investments will take time to grow and 2006 was a critical year in positioning the portfolio for future growth. The portfolio is managed by Damian Rocke under the supervision of Albert D. Cohen.

In other points of interest to our shareholders, our Board of Directors has decided, based on advice of our tax counsel, to pursue our claim for a refund of the taxation payment of $28,000,000 which we paid in 2001.

The largest investment in the Gendis Financial investment portfolio is Fort Chicago Energy Partners (TSX: FCE.UN). Fort Chicago's primary business interests include a 50% ownership interest in the Alliance Pipeline, and a 42.7% interest in Aux Sable, a Natural Gas Liquids extraction and fractionation facility. The Alliance Pipeline is a 3,000-kilometer pipeline that transports natural gas from regions in British Columbia and Alberta to delivery points near Chicago, Illinois. The pipeline was completed in the year 2000 at a cost of $4.5 billion USD and is one of the most technologically advanced pipeline systems in the world. Generally speaking, the natural gas delivered via the Alliance Pipeline can be sold for its 'heat' value in periods of high gas prices, or it is delivered to the Aux Sable facility to be separated (fracced) into by-products such as ethane, butane, or propane each of which have numerous commercial/consumer end uses. While the Alliance Pipeline and Aux Sable are key long-term assets for Fort Chicago, we thought that it would be proper to outline the prospects of future growth of this investment as it represents the largest portion of our portfolio. Fort Chicago invests in capital projects that offer compelling long-term returns, and stable cash flows for Fort Chicago unit holders. In the past year, Fort Chicago has committed to several business opportunities directed to future growth and optimization initiatives. Following are some figures which appear in their 2006 Annual Report:

Project	Cost	Fort Chicago Ownership
2008 Heartland Off-Gas	Phase 1 - $45 million	42.7%
2009 East Windsor Cogenerization	$175 million	50%
2009 Alton Natural Gas Storage	Phase 1 - $50 to $60 million	50%

The Cohen family owns over 68% of the common stock of Gendis Inc. Our family's interests are totally aligned with the interests of all remaining shareholders. Our mandate and intent is to continue to grow the company to benefit all the shareholders.

We thank our Directors, Employees and Shareholders for their dedication and support and look forward to continued growth in 2007.

Yours Sincerely

Albert D. Cohen
Chairman, President & Chief Executive Officer
Gendis Inc.

GENDIS INC. Dated April 13, 2007

Management's Discussion & Analysis
For the year ended January 31, 2007

***NOTICE** – Presentation and Review of the Management's Discussion & Analysis*

This annual and fourth quarter Management's Discussion and Analysis should be read in conjunction with the audited annual financial statements for the year ended January 31, 2007. Financial information presented in this Management's Discussion and Analysis have been derived from financial statements denominated in Canadian dollars that are prepared in accordance with accounting principles generally accepted in Canada and follow the same accounting policies and methods of application as the audited annual financial statements at January 31, 2007. This Management's Discussion & Analysis has been reviewed and approved by the Board of Directors of Gendis Inc. ('the Company') on April 13, 2007.

***NOTICE** – Forward-Looking Information*

This Management's Discussion and Analysis contain forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and anticipated future developments. Forward-looking statements should not be read as guarantees of future performance and will not necessarily be accurate indications of whether such performance or results will be achieved. There are risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the forward-looking statements. Factors that could cause such differences include general risks relating to the real estate and investments and the matters described under "Risk Factors" in the Annual Information Form.

***NOTICE** – CSA Multilateral Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings*

The Chief Executive Officer and the Chief Financial Officer have concluded, based on their evaluations, that the Corporation's disclosure controls and procedures are sufficiently effective to provide reasonable assurance that material information has been disclosed in the Corporation's annual filings for the year ended January 31, 2007.

The Chief Executive Officer and the Chief Financial Officer have concluded, based on their evaluations, that the Corporation's internal controls over financial reporting have been sufficiently designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's Generally Accepted Accounting Principles with the following identified weaknesses:

- *Effective internal control requires that the functions of authorizing transactions, recording transactions, control over the custody of assets and the account reconciliation process be conducted by different personnel. There are insufficient personnel to accomplish this requirement. The Corporation has a small staff complement of eight employees and accordingly it is impractical to achieve proper segregation of incompatible functions in all transaction cycles.*
- *The Corporation employs only one individual with the requisite financial skills and competence to determine the appropriate critical accounting estimates in accordance with Generally Accepted Accounting Principles for the compilation of the Corporation's financial statements. As a result, the calculations and conclusions are not independently verified by other personnel in two critical accounting processes, namely:*
    1. *The determination of the accounting and disclosure of the investment balances and income from flow-through entities investments and*
    2. *The determination of the accounting for the income tax provision, balances and related ancillary note disclosure.*

The limited staff complement requires that the Company's senior management actively participate in most aspects of each transaction cycle. Consequently there is an inherent risk of management overriding controls and procedures. The nature of an internal control exception from the lack of segregation of incompatible functions could be so pervasive that a material error could occur and not be detected on a timely basis in any transaction cycle. Also, the lack of independent verification of the two critical accounting processes noted above could result in a material error

in investment balances, income from flow-through entities investments, the income tax provision, tax balances and related ancillary note disclosure not being detected on a timely basis.
Potential solutions to these internal control exceptions would ordinarily involve hiring additional staff or engaging independent qualified accountants on a consulting basis. At this time, the Board of Directors has determined that these remedies are not cost effective in relation to the risk of material misstatement.
The Chairman, President & Chief Executive Officer and the Vice President, Finance & Comptroller have filed certificates in SEDAR as required under Multilateral Instrument 52-109 with guidance on CSA Staff Notice 52-316 regarding assertions on material facts, assertions on the fair presentation of the Company's financial statements, acknowledgements on the design and effectiveness of disclosure controls and procedures, and acknowledgements on the design of internal control over financial reporting.
The Company's Independent Auditors have reported to shareholders, based on Canadian Generally Accepted Auditing Standards, their opinion on the fair presentation of the Company's financial statements in accordance with Canadian Generally Accepted Accounting Principles.

Additional information and the Annual Information Form

The Company has adopted an Investment Policy that is included in its Annual Information Form. Additional information about Gendis Inc. and the Company's Annual Information Form are available on SEDAR at www.sedar.com.

As used herein "Gendis" or the "Company" or the "Corporation" refers to Gendis Inc., "Saan" refers to Saan Stores Ltd., a former subsidiary of Gendis Inc. The Company's property at 1370 Sony Place in Winnipeg, Manitoba is referred to as the "Sony Place facility." The following, which are investments of Gendis Inc., are referenced as follows:
"Alberta Clipper" refers to Alberta Clipper Energy Inc.
"Ember" refers to Ember Resources Inc.
"FNX" refers to FNX Mining Company Inc.
"Fort Chicago" refers to Fort Chicago Energy Partners L.P.
"Opti" refers to Opti Canada Inc.
"OSUM" refers to Oil Sands Underground Mining Corp.
"Pioneer" refers to Pioneer Natural Resources Company
"Thunder" refers to Thunder Energy Trust

Selected Annual Information for the Last Three Years

(in thousands of dollars - except per share)	January 31, 2007	January 28, 2006	January 29, 2005
Revenue	2,268	5,351	1,981
Net earnings (loss) before discontinued operations, unusual items and income taxes	(800)	3,137	(1,007)
Write-off of deposit on income tax assessment	(28,361)	—	—
Impairment of investments	(3,300)	—	—
Impairment of real estate properties	—	(87)	(787)
Restructuring credits	—	—	761
Net earnings (loss) before discontinued operations	(33,172)	4,706	(665)
Earnings (loss) per share – basic and diluted	(2.18)	0.31	(0.04)
Total assets	50,719	78,218	65,710
Long-term liabilities	—	—	—
Dividends per share	—	—	—

The variation between years in revenue and earnings are noted as follows:

The increase in revenue from fiscal 2005 to 2006 is primarily due to a dilution gain of $1.4-million in 2006 from Fort Chicago, $1.5-million of increased share of earnings of Fort Chicago and $0.5-million of rental revenue. The increase in net earnings (loss) before discontinued operations, unusual items and income taxes from fiscal 2005 to 2006 is primarily due to the increase in revenue, realized profit on investment sales of $1.2-million, offset by increases in real estate property expense and legal costs of $0.4-million. In addition to these noted factors, the increase in net earnings (loss) before discontinued operations from fiscal 2005 to 2006 is due to the impairment of real estate properties and restructuring credits noted in the above table as well as the future tax benefit from the change in control of the corporation of $3.0-million offset by $1.4-million of future tax expense based on a re-evaluation of the expected realization of non-capital loss carry forwards and a decline in the market value of the investments since the change of control.

The decrease in revenue from fiscal 2006 to 2007 is primarily due to a dilution gain of $1.4-million in 2006 from Fort Chicago, $1.1-million of reduced share of earnings of Fort Chicago and $0.8-million of reduced share of earnings of Thunder Energy. The decrease in net earnings (loss) before discontinued operations, unusual items and income taxes from fiscal 2006 to 2007 is primarily due to the decrease in revenue, reduced realized profit on investment sales of $0.5-million and an increase in legal costs of $0.3-million. In addition to these noted factors, the increase in net earnings (loss) before discontinued operations from fiscal 2006 to 2007 is due to the impairment of investments and the write-off of deposit on income tax assessment noted in the above table as well as the future tax benefit from the change in control of the corporation of $3.0-million in 2006.

Summary of Quarterly Results

The following is a summary of information for the eight most recently completed quarters:

Quarters Ended (in thousands of dollars except per share)	Total Revenue	Net Earnings (Loss)	Net Earnings (Loss) per Share Basic and Diluted
January 31, 2007	(104)	(32,882)	(2.16)
January 28, 2006	1,725	27	—
October 31, 2006	1,110	192	0.01
October 25, 2005	464	46	0.01
July 31, 2006	768	(263)	(0.02)
July 30, 2005	2,198	4,259	0.28
April 30, 2006	494	(219)	(0.01)
April 30, 2005	964	374	0.02

The variation between quarters in revenue and earnings are noted as follows:

The inter-quarter volatility of revenue is primarily from the share of earnings of Fort Chicago, whether there is significant dilution gains in Fort Chicago from share issuance in convertible debt or other significant equity issuances by Fort Chicago as in the 2nd quarter last year, which are expected to re-occur infrequently. Also, the Company has experienced significant volatility in the share of earnings of Thunder as that entity has recorded significant ceiling test valuation write-downs on its gas resource properties in the 4th quarter this year and last year. The inter-quarter volatility of earnings is due to, in addition to revenue volatility, other infrequently occurring events such as the future tax effect of the change in control in the 2nd quarter last year, the write-off of deposit on income tax assessment and the charge for the impairment of investments in the 4th quarter this year.

Corporate operations

In the 4th quarter, investment income declined $2.1-million over the comparable prior year quarter, primarily from the decreased share of earnings of Fort Chicago of $1.1-million and $1.0-million share of loss of Thunder.

For the year, revenue from investment income decreased by $3.2-million over the comparable prior year. Fort Chicago had a significant capital transaction in the 2nd quarter last year at an average unit value substantially in excess of the unit carrying value of the Company's investment in Fort Chicago. As the Company did not participate in this capital transaction, the variance in unit values provided a dilution gain of $1.4-million last year as additional investment income to the Company. Although dilution gains may be expected to re-occur in the future, the magnitude of this capital transaction could be expected to re-occur infrequently. The Company's share of earnings from Fort Chicago's operations decreased by $1.1-million. The Company's share of loss of Thunder increased $0.8-million.

The following table presents purchase and sales activity of the investment portfolio for the 4th quarter and for the year generating gains of $0.3-million for the 4th quarter and $0.8-million for the year:

Security ($,000's)	4th quarter purchases	4th quarter sales	Year purchases	Year sales
Alberta Clipper	—	—	1,360	—
Scotiabank	—	—	603	623
Ember	13	—	380	—
FNX	338	441	721	441
Fort Chicago	2	360	384	1,826
OSUM	1,556	—	2,566	—
Opti	89	354	727	379
Pioneer	—	—	640	—
Royal Bank	—	420	1,398	915
Thunder	—	—	751	—
Other investments	159	276	928	513
Total	2,157	1,851	10,458	4,697

At the current year-end, the Company's publicly traded investments had a fair market value of approximately $36.8-million, which is $7.1-million in excess of the carrying value. This represents an unrealized appreciation of approximately $0.48 per share. The Company's publicly traded investments declined in value by $3.3-million in the 4th quarter but provided $0.8-million in cash from distributions. For the year, publicly traded investments declined in value by $5.7-million but provided $3.3-million in cash from distributions.

The following table presents appreciation (depreciation) and the ending market value of the investment portfolio of publicly traded securities for the 4th quarter and the year:

Security ($,000's)	Appreciation (depreciation) 4th quarter	Appreciation (depreciation) Year	Market value Jan. 31, 2007
Alberta Clipper	(498)	1,095	3,240
Ember	(286)	(2,507)	1,762
FNX	182	285	1,163
Fort Chicago	(2,073)	(1,221)	26,157
Opti	193	(572)	1,779
Pioneer	50	(82)	965
Royal Bank	78	171	654
Thunder	(1,046)	(2,893)	2,655
Other investments	60	17	540
Total	(3,340)	(5,707)	38,915

Cash Distributions ($,000's)	4th quarter	Year
Fort Chicago	557	2,433
Thunder	183	796

At April 13, 2007, the Company's publicly traded investments have a fair market value of approximately $36.2-million, which is $5.0-million in excess of the carrying value. This represents an unrealized appreciation of approximately $0.34 per share.

In the 4th quarter of the year, the Company recorded a provision for impairment of $2.4-million on its investment in Ember, $0.8-million on Thunder and $0.1-million on other investments as the fair value of the investments has fallen below carrying value. Both noted investments have significant natural gas extraction activities and are commented on in other sections of this disclosure document.

The note receivable from Saan was to be repayable $50,000 per month, principal and interest, commencing May 1, 2006. To date, scheduled payments of $50,000 per month have not been received as Saan's "Senior Lender" precluded these payments to be made to Saan's "Subordinate Lenders" as Saan is in breach of certain financial covenants. The Company is confident that this restriction will be lifted in time as Saan continues its progress toward profitability. Any outstanding principal and interest is fully repayable on April 9, 2009. The Company presently considers that Saan is a viable operation and accordingly, no provision for non-collection has been made.

In the 4th quarter of the year, Corporate expenses increased $0.2-million over the comparable quarter last year, a decrease of $0.3-million for the year. The decrease is primarily due to significant legal costs incurred last year associated with the ongoing dispute with the Canada Revenue Agency on the income tax re-assessment.

The Company's holdings in Fort Chicago and in Thunder are to provide a regular source of investment income and cash from regular monthly distributions. The Company's investment in Fort Chicago is a very significant investment. The investment represents 41% of the Company's total assets, 89% of its revenue and provides 63% of the cash flow to cover cash expenses (i.e. excluding depreciation) and interest. Summarized financial information on Fort Chicago is as follows:

in thousands of dollars	Dec. 31, 2006	Dec. 31 2005
Total assets	2,718,922	2,795,034
Total liabilities	1,900,426	1,969,937
Revenue	563,108	879,709
Net earnings	80,954	71,201
Change in cumulative translation account	(20,679)	(676)
Gendis' proportionate interest	2%	2%

The announcement of the Tax Fairness Plan by the Federal Government on October 31st, 2006 had a significant impact on the value of the Gendis portfolio. The Finance Department announced that Ottawa would begin taxing existing trusts and limited partnerships beginning in 2011. Effectively, this announcement impairs the value of distributions paid to tax deferred accounts by 31.5% as distributions will be taxed at the trust / limited partnership level at the rate of 31.5%. The net amount would then be paid out to the investor where it would be taxed at a rate equivalent to that of taxable dividends paid by a Canadian corporation. While this legislation is still in draft form, the market reacted swiftly to this announcement. As a result, the market value of the entire Gendis portfolio declined by $3.3-million in the 4th quarter primarily related to our holdings in Fort Chicago, a limited partnership, and Thunder, an income trust. For the full year, the Gendis portfolio declined in value by $5.7-million.

The value of our investment in Fort Chicago declined by $2.1-million in the 4th quarter as a direct consequence of the announcement of the Tax Fairness Plan. The total year over year change in the value of our investment in Fort

Chicago declined by $1.2-million. Operationally, Fort Chicago had a very strong 4th quarter and year. Fort Chicago's performance was driven by strong margins in their Aux Sable operations in the U.S., and continued steady earnings from its interest in the Alliance Pipeline. Fort Chicago has outlined several new projects over the course of 2006 which will add to cash flows in the coming years, thereby diversifying the partnership's stream of earnings, and generating new streams of cash flow from which distributions to Fort Chicago unit holders can be paid. Fort Chicago is a significant source of cash flow for Gendis and we will continue to monitor this investment closely, particularly as it relates to proposed changes to the taxability of trusts and limited partnerships.

Similar to Fort Chicago, Thunder was deeply affected by the proposed changes to the tax treatment of income trusts and limited partnerships. Other factors affecting the performance of Thunder include persistently volatile natural gas prices, and continued operational challenges related to the company's level of sustainable production. Thunder declined in value by $1.0-million in the 4th quarter, and $5.7-million year over year. Thunder has had recent exploration success on their Sylvan Lake oil play, which will serve to increase their exposure to light oil and simultaneously decrease their exposure to natural gas. The company recently announced they will be more actively drilling on the Sylvan Lake play and has acquired land in the area to pursue this. In the 1st quarter of 2007, Thunder has made several significant announcements including a 25% cut to their distribution from $1.44 per unit to $1.08 per unit (annualized), and a material reserve write down of 13% over 2005 year-end reserves. In light of Thunder's continued operational challenges, including the Federal Government's proposed changes to trust taxation, Thunder announced that the company will review a number of strategic alternatives in order to maximize shareholder value. Despite the decline in share price, Gendis derives significant cash flows from Thunder and Gendis management will evaluate the investment merits of holding the issue on an on-going basis.

Gendis has a significant position in Ember, a 100% natural gas weighted exploration company whose primary focus is to develop and commercialize their 'Manville' Coal Bed Methane (CBM) assets in Alberta. Ember has had a challenging 4th quarter and full year as the large natural gas inventory overhang in North America has created significant volatility in gas prices. Overall, Ember declined by $0.3-million in the 4th quarter and $2.5-million over the course of 2006. The large surplus in North American natural gas inventories has subsided somewhat and Ember will be in a good position to grow the companies' production profile when gas prices stabilize. In light of Ember's leading land position in CBM in Canada, there is significant potential for Ember to develop the company's resource base, which bodes well for the future of Ember given the long-term fundamental outlook for natural gas in North America.

Alberta Clipper hit a lull in the 4th quarter and declined in value by $0.5-million. However, Alberta Clipper has made significant progress throughout 2006 with positive updates on several drilling locations. Alberta Clipper is well on its way to achieving its stated 3-year production target of 5,000 boe/d (barrels of oil equivalent) and has forecast an exit range 3,000 – 3,500 boe/d for 2007. Reflecting this success the value of our investment in Alberta Clipper has increased by $1.1-million year over year. The company has successfully decreased their weight in natural gas production, and has grown the contribution of oil production to the companies overall production mix, which has resulted in stronger cash flows, a strong balance sheet, and an improved overall asset base.

Gendis made a significant investment in a private oil sand company called Oil Sands Underground Mining Corp. in the 2nd half of 2006. To date, Gendis has made a total investment of $2.6-million in this early stage company. Since our initial investment, the OSUM has made progress in securing a joint venture partnership, and amassing a significant resource base. While Gendis will not report an unrealized gain in our portfolio for this investment, the current 'notional' value for Gendis' investment in OSUM (based on the most recent round of financing) implies an unrealized gain of $2.3-million. Gendis will continue to value OSUM at cost until such time as there is a public offering for the company or there is a material corporate action giving Gendis a basis for valuing the shares on a private basis.

Realty operations

Revenue has increased $0.2-million in the 4th quarter, $0.1-million for the year, primarily from new tenancies in its Sony Place facility in the 2nd and 4th quarter of the year of $0.4-million. The Company owns six real estate properties that are solely leased as retail outlets to the Company's former Retail subsidiary, Saan and two real estate properties where Saan is a tenant with other commercial tenants. As a consequence of Saan's creditor protection proceedings, $0.3 million of revenue was foregone in the 1st quarter last year.

The Company also owns a 378,000 sq. ft. building in Winnipeg, Manitoba, the Sony Place facility, that was leased to the Company's former Retail subsidiary, Saan, for its distribution/warehouse operation. In the 1st quarter last year, as a consequence of Saan's creditor protection proceedings, Saan repudiated the lease of the Sony Place facility. In July 2006, 20% of the Sony Place facility was leased with another 20% leased in December 2006. The remaining 60% of space could result in approximately $1.5-million of earnings and cash flow if leased at present commercial rates. The Company has received numerous expressions of interest for either lease of the remaining space in the Sony Place facility or the sale of the Sony Place facility. The Company's focus had been to target for one or two tenants that have a distribution or warehousing requirement. The Company is evaluating alternatives for redeveloping the site for multiple tenants with a view to revenue maximization. The status of this property is expected to be resolved in fiscal 2008.

Realty expenses decreased $0.1-million in the 4th quarter and year-to-date, primarily from property tax reductions on assessment challenges.

Last year, the Company provided for an impairment of the carrying value of two properties by $0.1-million. There was no such requirement this year. The properties were written down to a fair market value based on the greater of applying a capitalization rate to the expected annual cash flow from the properties and the expected sale value, net of selling costs, if the properties were vacant. The capitalization rate selected was typical for properties of a similar type and location.

Interest expense

Interest expense was incurred for borrowings on credit facilities with its banker and from a margin account with its investment broker. Access to the bank credit facility may be by direct loan or by banker's acceptance. The interest rate on direct loans is the prime rate as established from time to time by the bank. The acceptance fee on banker's acceptances is 0.9% while the interest rate on a banker's acceptance is determined by the prevailing market conditions, typically 170 basis points below prime. The interest rate on the investment margin account is approximately bank prime rate plus 1.0%. Interest expense for the 4th quarter was $212,000 compared to $55,000 for the 4th quarter last year. The average borrowing for the year was $12.8-million compared to $2.5-million last year, which generated approximately $0.1-million of additional interest cost per quarter in the current year. Last year there was no significant borrowing until the 2nd half of last year.

Income taxes

The current income tax provision for the 4th quarter was $177,000, primarily representing foreign taxes paid on investment income from Fort Chicago, $350,000 of future taxes primarily from a re-evaluation of the expected realization of non-capital loss carry forwards and $28.4-million from the write-off of the deposit on an income tax assessment. For the year, the income tax provision of $29.1-million primarily represents a $550,000 reduction to the future tax asset due to a reduction in future tax rates, $161,000 primarily representing foreign taxes paid on investment income from Fort Chicago and $28.4-million from the write-off of the deposit on an income tax assessment.

The Company is in dispute with the Canada Revenue Agency concerning income tax on the sale of shares of an investment in fiscal 1996, which was assessed in fiscal 2002. The Corporation paid the entire amount of the income taxes and interest in the amount of $28.4-million in that year. The Corporation has filed a notice of objection with the Canada Revenue Agency and has made application to the Courts on certain jurisdictional matters. With concurrence with the Canada Revenue Agency, the challenge to the assessment was held in abeyance while the

challenge to jurisdictional matters proceeded through the Courts. On July 27, 2004, the Manitoba Court of Queen's Bench decided that the taxing authority had the power to issue a tax assessment concerning income tax on the transaction. The Corporation appealed the decision to the Manitoba Court of Appeal. On June 6, 2006 the Manitoba Court of Appeal concurred with the decision of the Manitoba Court of Queen's Bench. The Corporation sought Leave to Appeal the decision to the Supreme Court of Canada. On February 8, 2007, the Supreme Court denied Leave to Appeal. Management has evaluated the merits of its position in consultation with legal counsel and will continue to pursue the assessment on substantive grounds. Due to uncertainty of the outcome, the Deposit on Income Tax Assessment of $28.4 million was written-off. If the Corporation is successful in pursuit of this matter, this amount plus additional interest will be refunded and would be recorded in the year of settlement.

Income taxes for last year includes a $3.0-million future tax credit as a consequence of the change in control of the Company as commented on under the Future Tax Asset section. The remainder of the tax provision primarily represents foreign taxes.

At January 31, 2007, there is a potential of $3.1-million of future tax assets that have not been recognized, as the Company is not reasonably assured of recovery.

Income taxes for last year primarily represents a current income tax recovery of $9,000 as a reduction to an estimated provision for uncertain tax exposures net of $157,000 of foreign taxes paid on investment income from Fort Chicago.

In conjunction with the change in control as commented on under the Future Tax Asset section, the Company is deemed to be a "Subject Corporation" for purposes of the Income Tax Act. Accordingly, in the 4th quarter, the Company incurred Refundable Part IV tax on its dividend income of $197,000 compared to $336,000 last year. This tax is recorded as a direct charge to Retained Earnings and is recoverable upon the payment of dividends by the Company to its shareholders.

Future Tax Asset

On May 31, 2005, Mr. Albert D. Cohen assumed control of the Company. The change in control had the following effect on the Company's tax basis of loss carryforwards and capital properties. The tax basis of the Company's investment in an inactive subsidiary company was written down to nil. The subsidiary company had a significant tax basis. Also, approximately $3-million of capital loss carryforwards expired. To recoup lost tax basis, the Company elected to increase the tax basis of its investments and real estate. Consequently, the Company recorded an increase of $3.0 million in its Future Tax Asset in the 2nd quarter of last year. The Future Tax Asset was reduced in the 4th quarter of last year by $1.4-million based on a re-evaluation of the expected realization of non-capital loss carry forwards and a decline in the market value of the investments since the change of control date.

The recognition of a Future Tax Asset associated with tax loss carryforwards is contingent upon a resumption of earnings from the real estate operations from full occupancy of its properties and from earnings on the generation of gains on investment sales in the future. Volatility in the market price of securities affects the calculation of the unrealized gain that in turn affects the determination of the Future Tax Asset to be recognized. The decline in the unrealized gains in excess of the tax basis of the Company's investments since the change of control and a lack of stable earnings history from real estate operations to provide reasonable assurance of sufficient taxable earnings in the future has necessitated a reduction in the recognition of the future tax asset by $1.4-million in the 4th quarter last year.

On November 18, 2005, Mr. Albert Cohen conveyed his shareholding to his three children. The conveyance was done for estate and tax planning purposes. This conveyance is not considered a change in control for income tax purposes and accordingly, further valuation considerations are not required.

Capital Requirements and Liquidity

At April 13, 2007, the Corporate segment had utilized $11.1-million of its $15-million credit facility with its banker to fund investment purchases. Based on the market value of the collateral provided as security, there was

$0.3-million of available borrowing capacity. The credit facility was renewed on expiry in the 2nd quarter and was increased by $5.0-million. The credit line expires on July 31, 2007. The Company anticipates that the credit facility would be renewed on an annual basis.

The Company has also arranged for borrowing by way of a brokerage margin account with its broker, RBC Dominion Securities that provides for a borrowing capacity of 50% of the market value of securities with a bid price in excess of $5 per share and 35% of securities with a bid price between $3 and $5. At April 13, 2007, the borrowing amount under this credit facility was $3.0-million with an additional available borrowing capacity of $1.8-million.

As a gauge of liquidity risk, a decline of 10% in the price of all securities would result in a reduction in borrowing availability of $1.6-million.

At April 13, 2007, the Company had $0.1-million in cash, $36.2-million, at a quoted bid price, of highly marketable investments, $1.6-million at cost in a private equity investment and $1.0-million in a convertible debenture as private placements in a private company that operates in the energy sector and a $2.2-million note receivable. The note receivable is expected to provide $0.6-million from principal and interest payments per year, once payments commence.

For the year, cash out flow from Realty operations was nominal at $0.2-million. However, on a full year basis, cash flow would increase by $0.8-million from full year revenue from two tenancies in the Sony Place facility that were leased in the 2nd and 4th quarter of the year. The remaining 60% of space could result in $1.5-million of cash flow if leased at present commercial rates. Cash flow from operations and investment distributions were $0.3-million. Additionally, the Company borrowed $6.8-million to finance net additions to its investment portfolio of $5.8-million, purchase its own shares for cancellation under Normal Course Issuer bids for $0.8-million and paid $0.3-million of refundable dividend taxes.

The Company provided notice that it intends to purchase 749,014 of its Common shares under a Normal Course Issuer bid commencing January 10, 2007 and terminating January 9, 2008. The maximum cash requirement, should the Company decide to purchase all of the Common shares referred to in the Normal Course Issuer Bid, could be approximately $1.6-million. Funding of this bid would be by drawing on its cash resources or by the sale of investments. However, the Company is not obligated to purchase any shares for cancellation. At April 13, 2007, 166,100 shares were purchased for cancellation at a cost of $342,000 under this Normal Course Issuer bid. Under a Normal Course Issuer bid that expired January 5, 2007, 335,700 shares were purchased for cancellation at a cost of $775,000.

Contractual Obligations

At January 31, 2007, contractual obligations of the continuing operations are summarized as follows:

			Payments due by period ($000's)		
	Total	less than 1 year	1-3 years	4-5 years	after 5 years
Sub-leases [1]	916	607	309	—	—
Operating leases	3	3	—	—	—
Other obligations	66	12	13	13	28
Total obligations	985	622	322	13	28

[1] The Company's subsidiary, Gendis Realty Inc. ('GRI'), has four agreements to sub-lease premises to Saan, the Company's former subsidiary. GRI retains ultimate responsibility to the landlord for the payment of amounts under the lease agreements should the sub-lessee fail to pay. Included in the terms of the agreement for the sale of Saan, GRI has conceded the right for Saan to renew the leases at each expiry term, subject to an acceptable indemnity to GRI. The Company considers these leases to have an intrinsic value, due to the location, low rental rates and

lengthy renewal options, which GRI may be able to realize by securing another tenant should Saan decide to exit the location.

Outstanding Share Data

At April 13, 2007 there were 14,804,245 Common shares outstanding with a stated capital of $15,562,000.

Critical Accounting Estimates

Income taxes are determined using the asset and liability method of accounting, which recognizes future tax assets and liabilities based on the differences between the accounting and the tax basis of assets and liabilities. Future taxes are measured at the income tax rates expected to apply when the asset is realized or when the liability is settled. Assumptions are required to determine the provision for income taxes, including the resolution of tax disputes. The Company currently has significant differences resulting from non-capital loss carry forwards that have the potential to reduce taxable income in the future. A future tax asset has been recognized by the Company as Management has determined that it is more likely than not that a portion of the non-capital loss carry forwards will be realized. Management exercises judgment in considering future earnings projections. Accordingly, the Company would recognize future tax assets as taxable earnings are achieved in the future.

The carrying value of long-lived assets is assessed for impairment when the undiscounted future cash flows from its use and eventual dispositions are not sufficient to recover the asset's carrying value. An impairment loss is recognized based on the excess of the carrying amount of the real estate asset over its fair value. The determination of anticipated cash flows is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. Fair value is determined based on the greater of applying a capitalization rate to the expected cash flow from the property and an expected sale value, net of selling costs of a vacant property. The capitalization rate selected would be typical for properties of a similar type and location. Estimates of sales value are obtained from knowledgeable personnel in the real estate industry.

The note receivable from Saan is assessed for impairment based on an assessment of Saan's ability to make principal and interest payments. To date, scheduled payments of $50,000 per month have not been received as Saan's "Senior Lender" precluded these payments to be made to Saan's "Subordinate Lenders". The Company is confident that this restriction will be lifted in time as Saan continues its progress toward profitability.

Determination of the Company's pension asset and expense are dependent on the assumptions used in calculating these amounts. The assumptions are determined by Management and are reviewed by Management annually and by its actuary tri-annually. These assumptions include the discount rate, the rate of compensation increase and the expected long-term rate of return on pension plan assets. Actuarial assumptions for mortality and employee turnover rates are based on standard tables, adjusted as necessary to reflect the Company's experience in prior years and reflect actual provisions of the pension plan. Expected trends in rates used are considered in determining the assumptions. Differences between actual experience and the assumptions will result in increases or decreases in the Company's pension expense in future years.

Recently Issued Accounting Pronouncements

The Canadian Institute of Chartered Accountants pronouncements on Financial Instruments would become effective for the Company commencing the 1st quarter ending April 30, 2007. The principal effect of the application of the pronouncements is that the Company would present its investments in equity securities on the balance sheet at fair value, which is essentially the market value determined as the quoted bid price for investments that are traded on stock exchange at January 31, 2007. The increase from cost to market value is $7.1-million. Investments for which there is not a reliably determinable market value, such as investments in private companies, would be carried at cost. Certain of the Company's equity investments would be designated as "Available for Sale." These investments are typically flow-through entities such as Fort Chicago and Thunder where the principal objective in holding these investments is for investment earnings and cash flow. The initial difference between the carrying value and the market value of these investments of $5.5-million would be presented as an increase to beginning Accumulated Other Comprehensive Income, a component of Shareholders' Equity. Subsequent changes in market value of these

investments would be presented in Other Comprehensive Income for the period. Additionally, gains or losses on the subsequent sales of these investments would be recorded in Net Earnings for the period with an offset to Other Comprehensive Income for the period. Certain of the Company's equity investments would be designated as "Held for Trading." These investments are exchange-traded securities where the principal objective is to generate gains from market price appreciation. The initial difference between the carrying value and the market value of these investments of $1.6-million would be recorded as an increase to beginning Retained Earnings. Subsequent changes in market value of these investments would be presented in Net Earnings for the period.

The Canadian Institute of Chartered Accountants pronouncements on Capital Disclosures would become effective for the Company commencing the 1st quarter ending April 30, 2008. The Company has chosen not to adopt the pronouncements early. The principal effect of the application of the pronouncements is that the Company would present information that would enable readers of its financial statements to evaluate the Company's objectives, policies and processes for managing capital. The information would include qualitative and quantitative data, any changes from the prior period and whether the Company was obligated to comply with any externally imposed requirements.

RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Corporation is responsible for the consolidated financial statements and all information contained in the Annual Report. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada (GAAP). Significant accounting policies are described in Note 2 to the consolidated financial statements. Management exercised its best judgment in selecting appropriate accounting policies and providing estimates as part of the assurance that transactions are part of the reporting process. Management maintains a system of accounting and administrative controls that provide reasonable assurance that transactions are appropriately authorized, assets safeguarded and financial records maintained, in order to provide relevant, reliable and timely financial information. Management considers financial information presented in the Annual Report to be consistent with the consolidated financial statements.

The Company's Board of Directors has appointed an Audit Committee consisting of three directors who are not executive officers or employees of the Corporation. The Board of Directors has delegated responsibility for the oversight of the financial reporting process to the Audit Committee. The Audit Committee meets periodically with management and the independent auditors to review the performance of their respective responsibilities and to discuss accounting policy and financial reporting matters. The Audit Committee assesses the audit plan of the independent auditors, the audit report and the results of the audit findings. The Audit Committee provides unrestricted access to the independent auditors to discuss audit and related findings on the integrity of the Corporation's financial reporting process, and the adequacy of the system of accounting and administrative controls. The Audit Committee provides a recommendation to the Board of Directors on the approval of the annual consolidated financial statements, annual report and the re-appointment of the independent auditors. The Audit Committee also reviews the annual Management's Discussion & Analysis, the interim consolidated financial statements and interim Management's Discussion & Analysis.

ALBERT D. COHEN
President, Chief Executive Officer
& Chairman of the Board of Directors

ERNEST B. REINFORT
Vice-President, Finance
& Comptroller

April 13, 2007

AUDITORS' REPORT TO THE SHAREHOLDERS OF GENDIS INC.

We have audited the consolidated balance sheet of Gendis Inc. as at January 31, 2007 and January 28, 2006 and the consolidated statements of earnings (loss) and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at January 31, 2007 and January 28, 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Winnipeg, Manitoba
April 13, 2007

PricewaterhouseCoopers LLP
Chartered Accountants

GENDIS INC.
CONSOLIDATED BALANCE SHEETS
AS AT JANUARY 31, 2007 AND JANUARY 28, 2006
(thousands of dollars)

	2007	2006
	$	$
ASSETS		
CURRENT ASSETS		
Cash and equivalents	195	95
Receivables	528	265
Note receivable – current portion (note 4)	—	382
Prepaid expenses	232	203
	955	945
INVESTMENTS (note 3)	34,355	33,306
NOTE RECEIVABLE (note 4)	2,203	1,693
DEPOSIT ON INCOME TAX REASSESSMENT (note 9)	—	28,361
PROPERTY AND EQUIPMENT (note 5)	10,909	11,066
FUTURE TAX ASSET (note 9)	2,297	2,847
	50,719	78,218
LIABILITIES		
CURRENT LIABILITIES		
Credit facilities (note 6)	14,798	7,985
Accounts payable and accrued liabilities	1,013	1,039
Income and capital taxes payable	212	333
	16,023	9,357
COMMITMENTS AND CONTINGENCIES (note 10)		
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 8)	15,736	16,100
RETAINED EARNINGS	18,960	52,761
	34,696	68,861
	50,719	78,218

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS

ALBERT D. COHEN
Director

JAMES E. COHEN
Director

GENDIS INC.
CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) AND RETAINED EARNINGS
FOR THE YEARS ENDED JANUARY 31, 2007 AND JANUARY 28, 2006
(thousands of dollars, except per share data)

	2007 $	2006 $
REVENUE		
Investment (note 3)	1,288	4,454
Real estate rental	980	897
	2,268	5,351
EXPENSES		
Property and administrative expenses	2,772	3,017
Amortization of property and equipment	341	332
Interest and other finance expense	720	106
	3,833	3,455
EARNINGS (LOSS) BEFORE THE UNDERNOTED	(1,565)	1,896
Gain on sale of investments	764	1,241
Provision for loss on investments	(3,300)	—
Gain on sale of property and equipment	1	—
Impairment of real estate properties (note 5)	—	(87)
EARNINGS (LOSS) BEFORE INCOME TAXES	(4,100)	3,050
INCOME TAX (PROVISION) RECOVERY (note 9)		
Future tax	(550)	1,647
Current tax	(161)	9
Write-off of deposit on income tax assessment	(28,361)	—
Income tax (provision) recovery	(29,072)	1,656
EARNINGS (LOSS) FOR THE YEAR	(33,172)	4,706
Refundable dividend taxes	(197)	(336)
Premium on shares purchased for cancellation (note 8)	(432)	—
RETAINED EARNINGS – beginning of year	52,761	48,391
RETAINED EARNINGS – end of year	18,960	52,761
EARNINGS (LOSS) PER SHARE – Basic and Diluted	($2.18)	$0.31

GENDIS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2007 AND JANUARY 28, 2006
(thousands of dollars)

	2007 $	2006 $
CHANGES IN CASH POSITION		
By operations		
Earnings (loss) from continuing operations for the year	(33,172)	4,706
Items not affecting cash:		
Amortization of property and equipment	341	332
Impairment of real estate properties	—	87
Gain on sale of property and equipment	(1)	—
Gain on sale of investments	(764)	(1,241)
Provision for loss on investments	3,300	—
Write-off of deposit on income tax assessment	28,361	—
Future income taxes	550	(1,647)
Cash flow from earnings	(1,385)	2,237
Net decrease in working capital	(427)	(87)
	(1,812)	2,150
By investing activities		
Investments acquired	(10,458)	(15,874)
Proceeds on sale of investments	4,697	4,425
Excess of distributions over investment income	2,177	(1,772)
Proceeds from sale of property and equipment	13	—
Expenditures for property and equipment	(196)	(54)
	(3,767)	(13,275)
By financing activities		
Net advances from credit facilities	6,813	7,985
Shares purchased for cancellation	(796)	—
Refundable dividend taxes	(338)	—
	5,679	7,985
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	100	(3,140)
NET CASH & CASH EQUIVALENTS – beginning of year	95	3,235
NET CASH & CASH EQUIVALENTS – end of year	195	95
Supplemental information:		
Interest paid	706	120
Income taxes paid	491	116

1. NATURE OF OPERATIONS

The Corporation invests in marketable securities and operates commercial real estate properties.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada. The fiscal year represents the period from January 29, 2006 to January 31, 2007. Comparative figures are for the period from January 30, 2005 to January 28, 2006.

(b) Principles of consolidation

The consolidated financial statements include the accounts of Gendis Realty Inc., a wholly owned subsidiary of the Corporation.

(c) Earnings per share

Basic earnings per share are calculated using the daily weighted average number of shares outstanding during the respective fiscal years.

Diluted earnings per share is calculated using the daily weighted average number of shares that would have been outstanding during the year had all potential common shares been issued at the beginning of the year or when the underlying option was granted, if later.

(d) Measurement uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires the Corporation to make estimates and assumptions that affect reported amounts of assets and liabilities, revenue and expenses, and the disclosure of contingencies. Future events could alter such estimates in the near future.

The Corporation has estimated the useful lives of property and equipment and the recoverable value of property and equipment based on historical, industry trends and existing competitive factors. Significant changes in these factors could result in material impairment in the reported amounts for these assets.

(e) Cash and equivalents

Cash includes commercial paper investments with maturities of less than three months and other highly marketable investments.

(f) Investments

Private equity investments, investments in private convertible debentures and other equity investments are carried at the lower of carrying value or fair value when the decline in fair value to below carrying value is considered to be other than temporary.

The investment income and the carrying value of the investment in flow-through entities, Fort Chicago Energy Partners LLP ('Fort Chicago'), a limited partnership and Thunder Energy Resources ('Thunder'), an income trust, are increased by the Corporation's share of earnings of the investment. Cash distributions received from the investment reduces the carrying value of the investment. Investment income and the carrying value of these investments are also affected by the non-proportionate participation by the Corporation in the investment's capital transactions.

(g) Note receivable

The note receivable is carried at the lower of unamortized carrying value or a net realizable value based on an assessment of the debtor's ability to make principal and interest payments.

(h) Property and equipment and amortization

Property and equipment are recorded at the lower of cost less accumulated amortization and net recoverable amount.

Amortization is provided on a straight-line basis over the estimated useful life at the following annual rates:

Buildings	3%
Furniture, fixtures and equipment:	
Office	7%
Computer:	
Equipment	25%
Software	50%

(i) Pension plans

The Corporation maintains an employee contributory defined benefit pension plan and a defined contribution pension plan. All employees who meet certain eligibility requirements must participate in one of the plans.

For the defined benefit plan, pension expense is determined using the projected benefit method pro rated on service, market interest rates and management's best estimates on expected plan investment performance, salary escalation and retirement ages of plan members. A market related method is used to value plan assets for the purposes of calculating the expected return on plan assets. Under this method, the quoted market value is the underlying basis, but unrealized gains and losses are averaged over a five-year period. Cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the projected benefit obligation or modified market value of the plan are amortized over the average remaining life expectancy of the members of the plan of 16 years.

For the defined contribution plan, pension expense is the Corporation's contribution to the plan.

(j) Financial instruments

The carrying value of receivables, accounts payable and accrued liabilities approximate fair values due to their short-term maturity.

The Corporation is exposed to a credit risk from loans advanced to debtors and from repudiation of commitments from sub-lessees under sub-leases.

The Corporation is exposed to a concentration of credit risk. At January 31, 2007, 35% of the Corporation's leased area, representing 10% of total revenue is leased to one tenant, Saan Stores Ltd.

The Corporation is exposed to market risk on its investments. The security of the investments trade on a public stock exchange and, accordingly, the Corporation is subject to quoted market price volatility.

The Corporation is exposed to interest rate risk on its credit facilities. The interest rate is based on a bank's prime lending rate and, accordingly, the Corporation is subject to interest rate volatility.

(k) Future income taxes

The Corporation utilizes the liability method of accounting for income taxes under which future income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts and the tax basis of assets and liabilities. Future income tax assets and liabilities are measured using substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. Future income tax assets are recognized to the extent that realization is considered more likely than not.

(l) Revenue recognition

Investment income includes interest on debt securities and the proportionate share of earnings of flow-through entities, comprised of limited partnerships and income trusts. Investment income also includes the affect of the non-proportionate participation by the Corporation in the flow-through entities' capital transactions.

Real estate rental revenue includes base rent, percentage participating rents and recoveries of operating expenses, including property taxes. Percentage participating rents are recognized when specified sales targets have been met.

3. INVESTMENTS

(a) Investments are comprised of the following:

	Number of shares/units (000's)		Market Value ($000's)		Carrying Value ($000's)	
	2007	2006	2007	2006	2007	2006
Equity investments – publicly traded						
Flow-through entities						
Fort Chicago	2,378	2,495	26,157	28,819	20,639	22,004
Thunder Energy Trust	500	415	2,655	4,798	2,655	4,456
Other equity investments						
Alberta Clipper	600	225	3,240	785	2,323	963
Ember Resources	655	505	1,762	3,889	1,762	3,750
FNX Mining	65	40	1,163	552	930	552
International Nickel Ventures	325	—	497		459	—
Opti Canada	90	37	1,779	1,665	1,454	1,032
Pioneer Resources	20	7	965	406	965	418
Royal Bank	12	—	654	—	559	—
Other investments			43	174	43	131
			38,915	41,088	31,789	33,306
Private equity investment						
Oil Sands Underground Mining					1,576	—
Private convertible debenture						
Oil Sands Underground Mining					990	—
					34,355	33,306

A market value for private equity or private convertible debentures has not been noted as there is not a reliably determinable market value.

(b) Investment income represents:

	2007 ($000's)	2006 ($000's)
Interest and dividend income	236	111
Investment income (loss) from flow-through entities:		
Fort Chicago Energy Partners	2,008	4,581
Thunder Energy Trust	(956)	(238)
	1,288	4,454

4. NOTE RECEIVABLE

	2007 ($000's)	2006 ($000's)
Note receivable	2,203	2,075
less current portion	—	382
	2,203	1,693

The Corporation advanced $2.0-million, on a secured basis, to a former subsidiary, Saan Stores Ltd. The note receivable is repayable $50,000 per month, principal and interest. However, Saan Stores is in breach of covenants with its primary lender. The primary lender does not permit Saan to make any payments to subordinate lenders until the breaches have been remedied. Any outstanding principal and interest is fully repayable on April 9, 2009. Interest is at the prime rate as established from time to time by the Royal Bank of Canada plus 1/2%. At January 31, 2007, the interest rate was 6.5% (2006 – 5.75%).

5. PROPERTY AND EQUIPMENT

	Cost		Accumulated amortization		Net	
	2007 ($000's)	2006 ($000's)	2007 ($000's)	2006 ($000's)	2007 ($000's)	2006 ($000's)
Land	2,367	2,367	—	—	2,367	2,367
Buildings	16,551	16,472	8,169	7,859	8,382	8,613
Furniture, fixtures and equipment	763	661	603	575	160	86
	19,681	19,500	8,772	8,434	10,909	11,066

During the year ended January 28, 2006, the carrying value of certain land and buildings were written down by $87,000 as a consequence of rents, recoverable occupancy costs and renewal terms being renegotiated with the tenant. This resulted in a carrying value for the properties in excess of undiscounted cash flows expected to be received. The properties were written down to a fair market value based on the greater of applying a capitalization rate to the expected annual cash flow from the properties and the expected sale value, net of selling costs, if the properties were vacant. The capitalization rate selected was typical for properties of a similar type and location.

6. CREDIT FACILITIES

(a) At January 31, 2007, the Corporation had utilized $11.4-million of its $15.0 million revolving credit facility with its banker, The Bank of Nova Scotia, that provides for a borrowing capacity of 50% of the market value of marketable securities lodged as collateral. The facility expires on July 31, 2007. Access to the facility may be by direct loan or by banker's acceptance of the Corporation's promissory note. The interest rate on direct loans is the prime rate as established from time to time by the bank. At January 31, 2007, the interest rate was 6.0% (2006 – 5.25%). The fee on banker's acceptances is 0.9%. The interest rate on promissory notes is determined by the prevailing market conditions. At January 31, 2007, the interest rate was 4.27% (2006 – 3.5%). At January 31, 2007, $6.0-million of the credit facility was utilized by way of banker's acceptances and $5.4-million by direct loan.

(b) The Corporation has arranged for borrowing by way of a brokerage margin account with a broker that provides for a borrowing capacity of 50% of the market value of marketable securities in the Corporation's account with the broker. The interest rate is the prime rate plus 1.0%. At January 31, 2007, the interest rate was 7.0% (2006 – 6.25%). At January 31, 2007, the balance of the credit facility was $3.4-million.

7. ACCRUED PENSION ASSET

The sponsorship of the Corporation's defined benefit pension plan ('Old Plan') was assumed by a former subsidiary of the Corporation, Saan Stores Ltd., upon the sale of the former subsidiary on December 14, 2004. Entitlements of employees and retirees of all former subsidiaries of the Corporation will remain with the Old Plan. The Corporation created and sponsors a separate defined benefit pension plan ('New Plan') for employees of Gendis Inc. and its retirees. An actuarial valuation has determined that at September 30, 2004, $1.6-million of pension benefit obligations and $1.8-million in related assets are to be transferred from the Old Plan to the New Plan. The transfer of assets to the New Plan is pending regulatory approval and accordingly, the amount of the transfer will include a proportionate share of earnings and expenses, and net of benefit payments for New Plan members made by the Old Plan from September 30, 2004 to the transfer date. At January 31, 2007, the transfer amount from the Old Plan to the New Plan is estimated at $2.0-million. Information on the New Plan, which includes the estimated $2-million transfer, measured at January 31, 2007 is as follows:

(a) Pension Plan Net Assets	2007 ($000's)	2006 ($000's)
Market related value – beginning of year	1,780	1,748
Investment income	232	130
Employee contributions	4	7
Employer contributions	21	22
Benefits, refund of contributions and administrative expenses	(142)	(127)
Market related value – end of year	1,895	1,780
Quoted market value – end of year	2,030	2,014

The market related value of the pension plan net assets is based on quoted market values with unrealized gains and losses averaged over a five-year period.

Investment Categories of Pension Plan Assets	2007	2006
Cash and other net assets	5%	7%
Debt securities	14%	16%
Equity securities	81%	77%

(b) Pension Plan Benefit Obligations	2007 ($000's)	2006 ($000's)
Accrued benefit obligation – beginning of year	1,630	1,591
Accrued interest on benefits	86	85
Accrued benefits	19	26
Benefits and refund of contributions	(137)	(123)
Change in assumption	257	—
Experience loss and administrative expenses	36	51
Accrued benefit obligation – end of year	1,891	1,630

The most recent actuarial valuation of accumulated pension benefits was made as at September 30, 2004 for the Old Plan and December 31, 2006 for the New Plan.

(c) Significant actuarial assumptions in measuring the Corporation's accrued benefit obligations

	2007	2006
Discount rate	5.50%	6.50%
Expected long-term rate of return on pension plan assets	5.50%	6.50%
Rate of compensation increase	4.40%	4.75%

(d) The Corporation's Accrued Pension Asset

	2007 ($000's)	2006 ($000's)
Pension Plan surplus at market related values	4	150
Valuation allowance	(4)	(150)
Accrued pension asset	—	—

The valuation allowance represents the amount of surplus not recognized on the Corporation's balance sheet .

(e) Calculation of the Corporation's Pension Expense

	2007 ($000's)	2006 ($000's)
Accrued benefits	19	26
Employee contributions	(4)	(7)
Accrued interest on benefits	86	85
Investment income – market related value	(232)	(130)
Change in assumption	257	—
Experience loss and administrative expenses	36	51
Change in valuation allowance	(146)	(7)
Pension expense from the defined benefit pension plan	16	18
Pension expense from the defined contribution pension plan	25	29
Pension expense	41	47

8. CAPITAL STOCK

(a) Authorized - The Corporation is authorized to issue an unlimited number of common shares.

(b) Common shares issued

	Number of Shares		Share Capital	
	2007	2006	2007 ($000's)	2006 ($000's)
Beginning of year	15,316,045	15,316,045	16,100	16,100
Shares purchased for cancellation	(345,700)	—	(364)	—
End of year	14,970,345	15,316,045	15,736	16,100

During the year ended January 31, 2007, under Normal Course Issuer Bids, 345,700 common shares were purchased for cancellation for $796,000. Share capital was reduced by $364,000 and the residual premium over the stated value of the share capital of $432,000 was applied as a reduction to retained earnings. Commencing January 10, 2007, the Corporation intends to purchase for cancellation up to 749,014 of its Common shares under a Normal Course Issuer Bid until expiry on January 9, 2008. The previous Normal Course Issuer Bid commenced on January 6, 2006 and expired on January 5, 2007.

(c) On May 31, 2005, Mr. Albert D. Cohen acquired 3,349,996 Common shares of the Corporation and accordingly, assumed control of the Corporation with a 58.24% holding. On November 18, 2005, Mr. Albert D. Cohen conveyed 8,420,057 Common shares equally to his three children.

(d) At January 31, 2007, the refundable dividend tax on hand was $534,000 (2006 – $336,000).

(e) Share option plans

The changes in the share options are as follows:	Number of Options 2007	2006	Weighted Average 2007 $	2006 $
Beginning of year	—	7,600	—	14.00
Forfeited	—	(7,600)	—	—
End of year	—	—	—	—

(f) Earnings (loss) per share

	2007 ($000's)	2006 ($000's)
Numerator – Net earnings (loss)	(33,197)	4,706
Denominator – Weighted average number of shares outstanding		
Basic	15,194	15,316
Dilutive effect of stock options	—	—
Weighted average number of shares outstanding - diluted	15,194	15,316

9. INCOME TAXES

(a) Income taxes on earnings (losses) vary from the amounts that would be computed by applying the combined federal and provincial statutory income tax rates to the earnings (losses) before income tax. The following is a reconciliation of the combined statutory income tax to the effective income tax:

	2007 ($000's)	2006 ($000's)
Statutory income taxes at 32.9% (2006 – 33.4%)	(1,349)	1,018
Non-deductible or taxable portion of capital gains or losses, investment income	149	(843)
Future tax assets recognized	—	(3,750)
Change in income tax rates	585	(91)
Limitation of deductible amounts	3	8
Foreign withholding taxes	153	158
Change in valuation allowance and other items	1,170	1,844
	711	(1,656)
Write-off of deposit on income tax assessment	28,361	—
	29,072	(1,656)

During the year ended January 26, 2002, the Corporation received notices of assessment levying additional income taxes and interest on the sale by the Corporation of shares of Sony of Canada Ltd. in 1995. The Corporation paid the entire amount of the income taxes and interest in the amount of $28.4-million in that year. The Corporation has filed a notice of objection with the Canada Revenue Agency and has made application to the Courts on certain jurisdictional matters. With concurrence with the Canada Revenue Agency, the challenge to the assessment was held in abeyance while the challenge to jurisdictional matters proceeded through the Courts. On July 27, 2004, the Manitoba Court of Queen's Bench decided that the taxing authority had the power to issue a tax assessment concerning income tax on the transaction. The Corporation appealed the decision to the Manitoba Court of Appeal. On June 6, 2006 the Manitoba Court of Appeal concurred with the decision of the Manitoba Court of Queen's Bench. The Corporation sought Leave to Appeal the decision to the Supreme Court of Canada. On February 8, 2007, the Supreme Court denied Leave to Appeal. Management has evaluated the merits of its position in consultation with legal counsel and will continue to pursue the assessment on substantive grounds. Due to uncertainty of the outcome, the Deposit on Income Tax Assessment of $28.4-million was written-off. If the Corporation is successful in pursuit of this matter, this amount plus additional interest will be refunded and would be recorded in the year of settlement.

(b) At January 31, 2007, the Corporation has capital losses of $153,000 that may be applied against capital gains indefinitely in the future. The Corporation also has $4.4-million of non-capital losses that are subject to expiry as follows:

expiry date	Non capital loss ($000's)
2014	3,186
2015	37
2026	697
2027	525

(c) Future income tax assets (liabilities) are comprised as follows:

	2007 ($000's)	2006 ($000's)
Non capital losses	1,367	1,333
Capital losses	23	9
Property and equipment	989	1,404
Investments	2,925	1,879
Other items	182	208
	5,486	4,833
Valuation allowance	(3,189)	(1,986)
	2,297	2,847

10. COMMITMENTS AND CONTINGENCIES

(a) At January 31, 2007, there are three (2006 – 4) locations where the Corporation has the primary obligation under a property lease, with a former subsidiary corporation being a sub-tenant of the Corporation. The Corporation has not accrued an amount for future lease costs as the Corporation expects to derive future benefits from these leases should the sub-lessor repudiate their commitments. Minimum annual rentals (exclusive of additional amounts based on percentage of sales, but inclusive of taxes, insurance and other occupancy charges) on long-term operating property leases, the longest of which will expire in the fiscal year ending 2010 are detailed below.

Other minimum lease payments are as follows:

Year ending January	Property Leases ($000's)	Other Leases & Commitments ($000's)
2008	607	11
2009	154	7
2010	154	7
2011	—	7
2012		7
thereafter	—	64
Total future minimum payments		103
Less imputed interest at 4.7%		33
Present value of minimum payments		70

(b) In connection with the disposition of the investment of a former subsidiary of the Corporation and real estate assets, the Corporation has provided customary representations and warranties that range in duration. In addition, as is customary, the Corporation has agreed to indemnify the buyers of certain assets in respect of certain liabilities pertaining to events occurring prior to the respective sales relating to taxation, environmental, litigation and other matters. The Corporation is unable to estimate the maximum potential liability for these indemnifications as the underlying agreements often do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined.

(c) Subsequent to the Corporation selling its investment in Saan Stores Ltd. on December 16, 2004, Saan Stores Ltd. filed for creditor protection under the Companies' Creditor Arrangements Act and subsequent to that, obtained a stay of proceedings under the Bankruptcy and Insolvency Act. On March 17, 2005, a buying agent and importer to Saan Stores Ltd., filed a Statement of Claim in the Ontario Superior Court of Justice for $18-million against the Corporation and certain of its officers and directors. The buying agent and importer allege to have suffered damages by reason of wrongful and oppressive conduct. The supplier also alleges misrepresentation and breach of fiduciary duties. In a Decision released December 29, 2005, the Ontario Superior Court of Justice found that Ontario was not a convenient forum for the hearing of this matter. The buying agent and importer have commenced proceedings in the Manitoba Court of Queen's Bench. The Statement of Claims and the Statement of Defense have been filed and the Corporation has filed a Notice of Summary Judgment to have the claim dismissed.

On April 21, 2005, two suppliers to Saan Stores Ltd. served a Statement of Claim in Manitoba Court of Queen's Bench that named the Corporation and its directors as defendants, for $1.1-million and $1.3-million respectively for amounts said to be owed and unpaid by a former subsidiary of the Corporation. The suppliers also claim general damages and punitive damages, and damages arising from alleged misrepresentation and breach of fiduciary duties. On December 13, 2005, the Manitoba Court of Queen's Bench ordered that the law firm acting for the two suppliers be removed as solicitors of record for the plaintiffs in these proceedings. The two suppliers appealed the decision to the Manitoba Court of Appeal which subsequently upheld the lower court's decision. The claimant retained new lawyers. The Corporation filed a Statement of Defense on January 30, 2007.

On September 2, 2005, an Application in the Ontario Superior Court of Justice was made by one of the landlords against the Corporation's subsidiary, Gendis Realty Inc. seeking $0.5-million on the account of rent and occupancy charges. The Application was dismissed. The Landlord is appealing the decision to the Ontario Court of Appeal.

The Corporation considers that these claims are without merit and accordingly, a provision for settlement has not been recorded. The Corporation is also involved in various other legal matters. The resolution of these other matters is not expected to have a material adverse effect on the Corporation's financial position, results of operations or cash flows.

(d) The Corporation has agreed to indemnify its current and former directors and officers to the extent permitted by law against any and all charges, costs, expenses amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or any other judicial, administrative or investigative proceeding in which the directors and officers are sued as result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of such indemnification prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay to counter parties. For claims for the period prior to January 31, 2005, the Corporation had $15-million in directors' and officers' liability insurance coverage. For claims for the period to January 31, 2005 to January 28, 2006, the Corporation had $1-million in directors' and officers' liability insurance coverage. For claims subsequent to January 28, 2006, the Corporation decided to self insure.

11. SEGMENT INFORMATION

The Corporation has identified two reportable segments - Realty and Corporate. At January 31, 2007, the Realty segment consists of 8 commercial retail properties with an area for lease of 94,000 sq. ft. and 1 warehouse & distribution facility of 379,000 sq. ft. Approximately 18% of the total leaseable area is leased to Saan Stores Ltd., a former subsidiary, representing 32% of Realty revenue. Approximately 49% of the total leaseable area is vacant, all of which is in the warehouse & distribution facility. The Corporate segment is primarily involved in investing in equity securities. All revenues and operating expenses pertain exclusively to Canada. Intersegment revenue and expense is rent, management fees and interest.

	year end	Realty	Corporate	Intersegment Elimination	Total
Revenue	2007	1,041	1,480	(253)	2,268
	2006	911	4,593	(153)	5,351
Expenses & amortization	2007	1,744	1,550	(181)	3,113
	2006	1,664	1,819	(134)	3,349
Interest	2007	72	720	(72)	720
	2006	19	106	(19)	106
Gain (loss) on sale of investments and property and equipment	2007	(7)	772	—	765
	2006	—	1,241	—	1,241
Unusual items	2007	—	(3,300)	—	(3,300)
	2006	(87)	—	—	(87)
(Provision for) recovery of income taxes	2007	234	(29,306)	—	(29,072)
	2006	1,424	232	—	1,656
Net earnings (loss)	2007	(548)	(32,624)	—	(33,172)
	2006	565	4,141	—	4,706
Acquisition of property and equipment	2007	158	38	—	196
	2006	43	11	—	54
Total Assets	2007	12,417	39,278	(976)	50,719
	2006	12,505	66,532	(819)	78,218

12. SUBSEQUENT EVENT

Subsequent to the year ended January 31, 2007, the Corporation purchased and cancelled 166,100 of its Commons shares for $342,000

CORPORATE & SHAREHOLDER INFORMATION

GENDIS INC. BOARD OF DIRECTORS

Albert D. Cohen, O.C., LL.D
President, Chief Executive Officer and Chairman
Gendis Inc.

James E. Cohen
Executive Vice-President
Gendis Inc.

Robert M. Chipman
Chairman
National Leasing Group

Jerry L. Gray, Ph. D
Dean Emeritus, I.H. Asper School of Business
University of Manitoba

Lawrence O. Pollard
Chairman
Pollard Banknote Limited

Gordon B. Webster, FCA
Corporate Director

GENDIS INC. CORPORATE OFFICERS

Albert D. Cohen, O.C., LL.D
President, Chief Executive Officer and Chairman

James E. Cohen
Executive Vice-President

N. Paul Cloutier
Vice-President, Secretary & General Counsel

Ernest B. Reinfort, CA
Vice-President, Finance & Comptroller

SHAREHOLDER INFORMATION

Corporate Head Office
1370 Sony Place
Winnipeg, Manitoba
R3T 1N5

Registrar & Transfer Agent
CIBC Mellon Trust
Vancouver, Calgary, Toronto, Montreal, Halifax
Web site: www.cibcmellon.com

Auditors
PricewaterhouseCoopers LLP
Suite 2300
One Lombard Place
Winnipeg, Manitoba
R3B 0X6

Banker
The Bank of Nova Scotia

Exchange Listing
Toronto Stock Exchange
Common shares of the Company trade under the symbol: GDS

Investor Relations
1370 Sony Place
Winnipeg, Manitoba
R3T 1N5
E-mail: finance@gendis.ca
Web site: www.gendis.ca